

# The gaffe that keeps on taking: How to break the deadlock over Britain's EU divorce bill



*The size of the 'divorce bill' the UK will pay following its exit from the EU remains one of the key sticking points in the Brexit negotiations. **Iain Begg** writes that despite the apparent deadlock over the issue, it would not take much to reach a compromise. He suggests that extending the idea of an implementation phase to the UK's budget contributions would offer a way forward, with the UK simply maintaining its net contribution at current levels for the duration of a transition period.*

For the best part of a hundred years advertisers have employed the phrase "the gift that keeps on giving" to persuade consumers of the enduring virtues of their products. When it comes to the EU divorce bill, it is more a case of the gaffe that keeps on taking.

The problem is – yet again – the infamous claim of £350 million a week for the NHS. Voters struggle to understand why, rather than a windfall gain, the UK is now faced with paying even more to the EU at a time when public services, including the NHS, are under acute financial pressure. Leaving aside the fact that the figure was, as leading Leave campaigners conceded after the referendum was won, always a myth, its influence on policy positions has been persistently damaging.



David Davis, Secretary of State for Exiting the European Union, Credit: [Latvian Foreign Ministry](#) (CC BY-NC-ND 2.0)

It manifestly constrains ministers and, as the clock ticks unrelentingly towards the March 2019 deadline for completing the "Article 50" negotiations, it has clearly become the stumbling block to concluding stage one of the negotiations and opening the door to discussion on the future EU-UK relationship.

However, let's be blunt: it would not take much to reach a compromise. The EU side knows very well that the UK will not pay the more stratospheric figures of €100 billion or more floated by some in the Brussels bubble, and the UK side knows it is not going to get away with Boris's "go whistle" or the ambiguous amount (put at around €20 billion) proffered by Theresa May in her Florence speech.

She explained her offer as being made because “I do not want our partners to fear that they will need to pay more or receive less over the remainder of the current budget plan as a result of our decision to leave. The UK will honour commitments we have made during the period of our membership”. There is wiggle room, especially in the last sentence, but the dark shadow of the £350 million prevents it from being exploited, with some in the government determined to resist further concessions.

Surely, though, it cannot be so hard to grasp that something like €30-40 billion is where there is a deal to be struck. Although these are ostensibly big numbers, perspective is needed. Recall that some £46 billion from the UK tax-payer had to be pumped into Royal Bank of Scotland, most of it never to be seen again. It cost BP upwards of US \$60 billion to clean up after the Deepwater Horizon oil spill, and there is speculation that Volkswagen could take an even bigger hit because of its emission-rigging scandal.

Negotiations have become bogged down in unnecessary detail about computing the “correct” divorce bill from first principles. Does the “current budget plan” alluded to by the Prime Minister mean only what is due to be paid up to the end of 2020, or should it also include the cost of commitments made before then, but for which payments may (entirely properly) only fall due two or three years later? Should the UK be liable for a share of future EU pensions and, even if it is, are British experts correct to argue that the pensions’ liability has become artificially inflated because of today’s exceptionally low interest rates? How can we make sense of the tangle of other financial assets and liabilities, and so on?

The EU side has tried to argue that the key to a solution is to agree on the principles, leaving the precise amount, sure to be politically poisonous, to be assessed later. But this is disingenuous, because it would take a tolerably competent researcher, adept at massaging a spreadsheet, only minutes to translate principle into amounts. No, it is time to try something different.

Here, then, is a straightforward proposal for how to break the deadlock. There is a growing consensus in favour of what Theresa May insists on calling an implementation period: in plain English, a transition from EU membership to a post-Brexit relationship. Most of the debate on this transition has been on likely interim arrangements for UK participation in the single market and the customs union, as well as on the rights of citizens and migrants. Why not extend the idea to the EU budget contributions?

In round numbers, the UK net contribution to the EU – what we “send” to Brussels after deducting the UK rebate, less the money flowing back to the UK, principally to support agriculture, fisheries, research and economic development projects – is about €10 billion per annum. Why not forget about all the inconvenient, tedious detail and offer to maintain the net contribution at this level for the duration of a transition? If it is three years, then the bill is €30 billion; if it is four, €40 billion. €10 million per annum translates into about the price of a pint of beer per week per UK inhabitant.

It would suit the EU side because it would avoid a sudden hole in the EU budget, but the incentive for the UK would be to persuade the EU side of the value of a well-ordered transition and, moreover, give our side a reason not to procrastinate. Yes, it would mean UK tax-payers having to wait a little longer for the windfall gain, but if it helps to remove the uncertainty weighing on the economy, it could stimulate economic performance and bolster tax receipts, enabling more to be spent on public services, not less.

Oh, and can we bury the toxic £350 million claim, preferably in a lead lined casket, in the hole from which it should never have been dug out in the first place?

*This article gives the views of the author, not the position of LSE Brexit or the London School of Economics. It first appeared on [EUROPP](#).*

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